

Message Text

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72

ACTION EB-07

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8711

INFO AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

UNCLAS BRIDGETOWN 0598

E.O. 11652: N/A

TAGS: EAIR ETRN BB AC

SUBJ: CIVAIR: LIAT FUTURE CONTINUES UNCERTAIN

REF: BRIDGETOWN 0267 AND PREVIOUS

SUMMARY

MINISTERIAL LEVEL MEETING ON LIAT HELD BARBADOS APRIL 10-11
REPORTEDLY NAMED NEW GENERAL MANAGER AND DISCUSSED CANADIAN
REPORT RECOMMENDING INTER ALIA STAFF REDUCTIONS AND ELIMINATION
OF SOME NINE LIAT ROUTES. MEETING REPORTEDLY BROKE UP BECAUSE
DELEGATES COULD NOT AGREE ON IMPLEMENTATION OF ROUTE REDUCTIONS.
LIAT IS STILL FLYING BUT IS COMING FACE TO FACE WITH SOME HARD
FINANCIAL AND MANAGEMENT DECISIONS. END SUMMARY

1. REGIONAL GOVERNMENTS CONCERNED MET AGAIN IN BARBADOS APRIL
10-11 IN ONGOING EFFORT TO ENSURE CONTINUED OPERATION OF LIAT
1974. SENIOR OFFICIALS REPORTEDLY NAMED GEOFFREY GILBERT, GOV
REPRESENTATIVE ON LIAT 1974 BOARD OF DIRECTORS, AS NEW GENERAL
MANAGER, REPLACING RODERICK BELCHER WHO RESIGNED ABOUT TWO WEEKS
AGO. PRESS REPORTS STAT THAT MEETING WAS NOT ABLE TO ADDRESS
MANY MAJOR POINTS BECAUSE GOTT FAILED TO SEND MINISTERIAL-
LEVEL REPRESENTATIVE EMPOWERED TO MAKE NECESSARY DECISIONS.

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DELEGATES ALSO REPORTEDLY DISCUSSED TWO CANADIAN REPORTS ON LIAT

AND CREATED COMMITTEES TO LOOK INTO "PRACTICAL IMPLICATIONS ARISING FROM CERTAIN ASPECTS OF (CANADIAN) REPORTS". AN ADDITIONAL ITEM ON AGENDA REPORTEDLY DISCUSSED WAS AGREEMENT ESTABLISHING A WEST INDIES AIR TRANSPORT CORPORATION. NO MENTION WAS MADE OF REPAYMENT OF GOV BRIDGING LOAN OF DOLS 5 MILLION, WHICH, ACCORDING TO LOAN AGREEMENT, IS DUE ON MAY 1..

2. APPOINTMENT OF GILBERT MAY MEAN THAT GOV IS PREPARING TO MOVE MORE ACTIVELY INTO EASTERN CARIBBEAN AVIATION PICTURE. GILBERT, AN AMERICAN CITIZEN WHO MANAGED LIAT FOR BWIA BEFORE SALE TO COURT LINES, IS WELL THOUGHT OF IN AVIATION CIRCLES HERE. SOME RECALL THAT LIAT SHOWED ITS BEST FINANCIAL RETURNS WITH GILBERT AT HELM AND LOOK FORWARD TO IMPROVEMENTS IN NEAR FUTURE. GILBERT, WHO IS REPORTEDLY STILL INVOLVED IN OPERATION OF SMALL AIRLINE IN NORTHEAST US, WILL PRESUMABLY TAKE UP RESIDENCE IN ANTIGUA AS SOON AS LIAT STAFF NOTIFIED OF CHANGE.

3. BELCHER'S APRIL 1 RESIGNATION HAS NOT BEEN FULLY EXPLAINED. SOME CONSIDER THAT BELCHER SIMPLY FOUND GOING TOO ROUGH AND DECIDED TO THROW IN SPONGE. BRITISH HIGH COMMISSION HERE TELLS US THAT SOME OF BELCHER'S MANAGEMENT PRACTICES SUCH AS EFFORTS TO HIRE MORE EXPATRIATES WERE UNDER FIRE FROM LIAT STAFF AND OTHERS. BELCHER WHO IS AIR CANADA EMPLOYEE WILL PRESUMABLY RETURN TO THAT CARRIER.

4. REPORTS BY CANADIAN AVIATION CONSULTANTS (CANAC) ARE REPORTED TO RECOMMEND ELIMINATION OF SOME NINE LIATE STATIONS AND SLASHING OF MANAGEMENT POSITIONS AS WELL AS STAFF RETRENCHMENT. OTHER POINTS IN REPORTS ARE SAID TO FOCUS ON LIKELY TRAFFIC GROWTH; OPTIMUM OPERATING MODELS; SUITABILITY OF PRESENT EQUIPMENT; REVISED ORGANIZATIONAL/MANAGEMENT STRUCTURE AND FITTING LIAT OPERATIONS INTO OVERALL REGIONAL AIR TRANSPORT PICTURE.

5. WE UNDERSTAND THAT MEETING BROKE UP BECAUSE OF DELEGATES' INABILITY TO AGREE ON SHARING OF ROUTE REDUCTIONS RECOMMENDED BY CANADIAN STUDY. EVIDENTLY LDC DELEGATES ARGUED MIGHTILY OVER WHO SHOULD ACCEPT REDUCTIONS AND PM BARROW, CHAIRING MEETING, RECOMMENDED THAT DELEGATES ATTEMPT TO WORK THIS VITAL PROBLEM OUT BEFORE ADDRESSING MANAGEMENT AND RELATED QUESTIONS.

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6. WE ALSO UNDERSTAND THAT LIAT 1974 MAY HAVE OBTAINED TEMPORARY MORATORIUM ON REPAYMENTS TO GOV. CDB PRESIDENT WILLIAM DEMAS, PRESENT FOR PART OF MEETING, SAID HE "DID NOT BELIEVE GOV LOAN REPAYMENT WOULD BE PROBLEM AT THIS TIME". DEMAS (AND OTHERS) CONTINUE TO SPECULATE THAT GOTT WILL EVENTUALLY DECIDE TO PARTICIPATE FULLY IN LIAT VENTURE (ALTHOUGH AVIATION CIRCLES OPINE THAT PRICE OF SUCH PARTICIPATION WILL BE EXTENDED INFLUENCE FOR BWIA IN REGION). DEMAS STATES THAT CDB CANNOT CONSIDER LIAT LOAN

APPLICATION UNTIL DECISIONS FINALIZED ON ROUTE REDUCTION, MANAGEMENT CHANGES AND FINANCIAL STRUCTURE OF CARRIER. LIAT THIS REMAINS AIRBORNE ALTHOUGH WEATHER SEEMS TO BE GETTING ROUGHER. CARRIER OBVIOUSLY FACES SOME HARD MANAGEMENT DECISIONS WHICH MUST BE MADE IN NEAR FUTURE BEFORE IT CAN ADDRESS ITS SERIOUS FINANCIAL SITUATION.
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